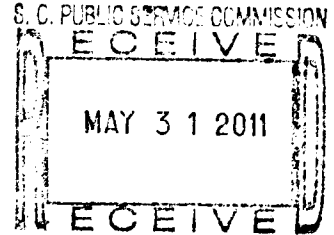


CUC, Inc.

2109 Timberlane Drive • Florence, SC 29506 • Phone 843.662.0753 • FAX 843. 673.9013
billyfburnett@earthlink.net

May 27, 2011



Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Subject: CUC, Inc.
Request for Modification of its tariff for Water Service and Rate Adjustment Request
Callawassie Island and Spring Island, Beaufort County, South Carolina

Dear Commission:

CUC, Inc. (CUC) is a public utility within the meaning of S.C. Code Ann §58-5-10 providing water and sewer service to residential and commercial customers in Beaufort County. Pursuant to the authority set out in S.C. Code Ann. Section 58-5-240(G), CUC herewith requests that it be permitted to modify the terms of its rate schedule for water service. See Attachment A. The purpose of this pass-through is to allow a simple procedure for increasing the rates for water service to CUC's customers in the identical amount of any increase in the wholesale rate charged to CUC by Beaufort-Jasper Water & Sewer Authority (BJWSA).

CUC presently serves 1,207 water customers and 691 wastewater customers on Callawassie Island and Spring Island in Beaufort County. The Public Service Commission of South Carolina issued CUC's current service rates in DOCKET NO. 2005-87-W/S, ORDER NO. 2005-535 on September 27, 2005.

CUC purchases all of its water as a wholesale water customer of BJWSA. At the time the above Order was issued, BJWSA's wholesale water rate to CUC was \$1.64 per thousand gallons. Their present wholesale water rate to CUC is \$1.86 per thousand gallons, which is a 13.4% increase over their 2005 rate.

On May 12, 2011, BJWSA notified CUC that a new increase in CUC's wholesale water rate will become effective on their July 1, 2011 water billing to CUC. A copy of the BJWSA notice is attached. See Attachment B. The new rate to CUC will be \$2.06 per thousand gallons, which is a 10.8% increase over their current rate and a 25.6% increase over the rate in effect when our present rates were approved in 2005. CUC's present water rate to its customers is \$3.36 per thousand gallons which is only \$1.20 per thousand gallons (35.7%) above the BJWSA wholesale rate.

Based upon CUC's purchase of wholesale water for the last twelve months in the amount of 106,159,800 gallons, the new rate increase of 10.75% will increase CUC's annual cost for this wholesale water by \$21,231.96. To avoid the high cost to pursue a full-fledged rate case to adjust CUC's rate to a more equitable position that reflects all of CUC's current costs, CUC respectfully requests that the Commission issue an order that allows the new increase of 20¢ per thousand gallons to be issued as a pass through to CUC's customers. If the Commission issues this requested order, CUC estimates that a full rate case would not be necessary for a few more years.

CUC believes that the proposed modification to the language in the rate schedule would have minimal impact on its customers and will help CUC to remain a viable utility that can continue to provide adequate service to its customers.

S.C. Code Ann. §58-5-240.(G) provides, as follows:

(G) Notwithstanding the provisions of this section, the Commission may allow rates or tariffs to be put into effect without a hearing upon order of the Commission when such rates or tariffs do not require a determination of the entire rate structure and overall rate of return, or when the rates or tariffs do not result in any rate increase to the public utility, or when the rates or tariffs are for experimental purposes.

Accordingly, the Applicant, CUC, respectfully submits this request for a modification of language in its tariff and approval of the request to increase the rate for water to all classes of customers in the amount of 20¢ per thousand gallons (the identical amount of the increase in the Utility's cost of wholesale water imposed by BJWSA) without a hearing as outlined herein.

Thanking you for your consideration of this request, I am

Sincerely yours,

A handwritten signature in black ink that reads "Billy F. Burnett". The signature is written in a cursive, flowing style with a large initial "B" and a long, sweeping underline.

Billy F. Burnett
President

cc: Office of Regulatory Staff
Enclosures

Attachment A

CUC, Inc. (CUC) purchases its potable water from the Beaufort-Jasper Water & Sewer Authority (BJWSA), as a wholesale customer. From time to time, BJWSA increases the price of water sold to CUC and to other wholesale customers. Whenever, BJWSA increases the price of water sold to CUC, the following billing adjustment shall be made by CUC to its customer rates:

1. Billing Adjustment

In the event that BJWSA adjusts (whether an increase or decrease) the unit price per 1,000 gallons, the following billing adjustment practice would apply:

- (a) If the unit price is adjusted, the cost change per 1,000 gallons would be passed through to the customers as an adjustment in like amount to the consumption charge on their water bill.

Example: The unit price of purchased water is increased by two cents per 1,000 gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

2. Notification

Any special billing adjustment shall not be billed until the following conditions are met:

- (a) CUC shall furnish the Public Service Commission of South Carolina satisfactory proof of the basis for the adjustment and the billing method to be utilized prior to its proposed effective date.
- (b) CUC shall furnish written notice to the customers affected by the Purchased Water Adjustment advising them of the basis for the billing adjustment and its effective date.

Attachment B



6 SNAKE ROAD, OKATIE, SC 29909-3937
Phone 843.987.9292 FAX 843.987.9293
Customer Service 843.987.9200
Operations & Maintenance 843.987.9220
Engineering 843.987.9250
www.bjwsa.org

DEAN MOSS, General Manager

May 12, 2011

Mr. Billy Burnette
Callawassie CUC, Inc.
2109 Timberland
Florence, SC 29506

Re: Wholesale Water Rate Increase

Dear Mr. Burnette,

Please accept this letter as notification that your Wholesale Water Rate will be increasing effective July 1, 2011. After updating our cost of service rate model, the new rate per 1,000 gallons will be \$2.06. We anticipate our Board will adopt this rate at the June 23, 2011 meeting.

Since the downturn in the economy in 2009, BJWSA has curtailed expenditures, frozen non-critical positions, refinanced debt and deferred non-critical maintenance in an effort to avoid an interim period rate increase. Our cost of service projections reflect a continuation of the conservative revenue growth we have been experiencing coupled with significant increases in fixed costs such as power, fuel and chemicals.

I am attaching the key schedules from our cost of service model that show the costs and calculations that support the wholesale rates. The current model update resulted in only minimal allocation changes as a result of anticipated growth and shifts in the customer classes. There have been no methodology changes in the model, with the exception of the Transmission and Distribution (T&D) allocation. This change resulted in a shift of costs from the Wholesale class to the Retail class which is in response to system demands becoming more Retail driven.

You are a valued wholesale customer and I would be happy to meet with you or your staff to review the cost of service methodology, the schedules attached and your rate. If you have any questions or concerns, please feel free to contact me at 843-987-9290.

Sincerely,

Dottie Hofmann
Chief Financial Officer

BRANDY M. GRAY
CHAIR

MICHAEL L. BELL
VICE CHAIR

LORRAINE W. BOND
SECRETARY/TREASURER

DONNA L. ALTMAN
JOHN D. ROGERS
W.R. "SKEET" VON HARTEN

DAVID S. LOTT
DR. WILLIAM SINGLETON
CHARLIE WHITE

JAMES P. "PAT" ONEAL
MARK C. SNYDER